

## **complaint**

Miss R complains that Rider Motorcycles Limited (RML) (trading as Wheelers Motorcycles) mis-sold her a payment protection insurance (PPI) policy.

## **background**

In 2005, Miss R took out a loan over four years to buy a motorcycle. At the same time, RML sold her a single premium PPI policy. The policy gave her life, accident, sickness and unemployment cover for the term of the loan.

The policy cost £2,445.49, which was added to the loan and attracted interest over the term of the loan. The total cost of the policy with interest was £3,276.96.

Our adjudicator upheld the complaint. She thought the policy wasn't suitable for Miss R because the unemployment cover was limited to a total of 12 months. RML disagreed. It says it didn't advise Miss R to take out the policy. And that it gave Miss R enough information about the policy so that she could make an informed decision about whether she wanted to take it out.

## **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about the sale of PPI on our website and I've taken this into account in deciding Miss R's case.

I've decided to uphold Miss R's complaint.

When coming to my decision I've considered what Miss R has told us. I've also considered the evidence RML has given us, which includes Miss R's signed loan agreement and demands and needs statement.

Our adjudicator found that RML advised Miss R to take out the policy. RML says it didn't recommend the policy to Miss R. But I don't need to make a finding on this point because it doesn't affect my conclusion. This is because even if I assume a recommendation was made, for the reasons set out below I don't think RML gave Miss R enough clear information about the policy so that she could decide if it was right for her.

RML haven't been given a copy of the policy summary so I've looked at similar policies previously provided to this service. And having done so I can see that throughout the life of the policy, Miss R would've only been able to claim for unemployment for up to 12 months *in total*.

The policy total cost of the policy including interest was £3,276.96. And the monthly benefit was £309.16. I've worked out that Miss R would've had to claim for nearly 11 months if she lost her job in order to recoup the cost of the policy.

Given the limitations on claiming described above, it seems the likelihood that she would've been able to recoup that cost was therefore low. Miss R had some other means to meet her loan repayments. So I think that this policy represented poor value to someone in her circumstances.

RML has argued that it gave Miss R enough information about the policy in the credit agreement and demands and needs statement. I've looked at both documents and cannot find any information about the benefits of the policy. So I don't think Miss R would've been aware of the claim limitations from looking at either document.

Based on my experience, I think it's possible that Miss R would've received a policy summary at the time of the sale. But even if I accept Miss R was given a policy summary I don't know how much time she was given to read it or how much she understood about the policy before she made her decision to take out the policy.

I've also kept in mind that as this sale took place in a meeting I think Miss R would've placed more weight on what she was told. And I think she would've expected RML to clearly explain the cost and benefit of the policy to her. And I don't have any evidence that this happened.

I accept that the policy also offered Miss R cover if she couldn't work because she was too sick. But I don't have any reason to believe that unemployment cover wouldn't have been as important to Miss R. Or that she wouldn't have thought that unemployment benefit would be a core requirement if she was going to protect her loan repayments. So if RML had pointed out the claim limitations to Miss R I don't think she would've seen the policy as offering good value in her circumstances. And I don't think she would've taken out the policy.

In summary, I think RML failed to provide Miss R with information that was clear, fair and not mis-leading in relation to the costs and benefit of the policy. So I don't think Miss R was able to make an informed choice about the insurance she was buying. And she has lost out as a result.

I know there is a dispute about whether RML presented the policy as optional. But I've not made a finding on this point because I've upheld the complaint for the reasons outlined above.

### **what RML needs to do to put things right**

Miss R borrowed extra to pay for the PPI, so her loan was bigger than it should've been and she paid more than she should've each month. So Miss R needs to get back the extra she's paid.

So, RML should:

- Work out and pay Miss R the difference between what she paid each month on the loan and what she would've paid each month without PPI.
- Add simple interest to the extra amount Miss R paid each month from when she paid it until she gets it back. The rate of interest is 15% a year until April 1993 and 8% a year from then on<sup>†</sup>.
- If Miss R made a successful claim under the PPI policy, RML can take off what she got for the claim from the amount it owes her.

<sup>†</sup> HM Revenue & Customs requires RML to take off tax from this interest. RML must give Miss R a certificate showing how much tax it's taken off if she asks for one.

### **my final decision**

For the reasons above, I've decided to uphold miss R's complaint and I direct Rider Motorcycles Limited to pay Miss R compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I am required to ask Miss R to accept or reject my decision before 10 July 2015.

Sharon Kerrison  
**ombudsman**